



Corsa Coal Corp.
Management's Discussion and Analysis
December 31, 2018

Corsa Coal Corp.
Management's Discussion and Analysis
For the year ended December 31, 2018

The purpose of the Corsa Coal Corp. ("Corsa" or the "Company") Management's Discussion and Analysis ("MD&A") for the three months and full year ended December 31, 2018 is to provide a narrative explanation of Corsa's operating and financial results for the period, Corsa's financial condition at the end of the period and Corsa's future prospects. This MD&A is intended to be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2018 and 2017 and the related notes thereto, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Unless otherwise indicated, all dollar amounts in this MD&A are expressed in United States dollars, all ton amounts are short tons (2,000 pounds per ton) and all amounts are shown in thousands. Pricing and cost per ton information is expressed on a free on board ("FOB") mine site basis. Please refer to "Cautionary Statement Regarding Forward-Looking Statements" and "Cautionary Statement Regarding Certain Measures of Performance". This MD&A is dated as of February 21, 2019.

TABLE OF CONTENTS

	Page Number
Cautionary Statements.....	3
Financial and Operational Highlights	4
Business Overview	5
Coal Pricing Trends and Outlook	6
Selected Annual Information.....	7
Financial and Operational Results.....	8
Review of Fourth Quarter Financial Results.....	11
Review of Year-to-Date Financial Results	16
Financial Condition	21
Liquidity and Capital Resources	22
Guidance.....	25
Debt Covenants	27
Contractual Obligations.....	28
Non-GAAP Financial Measures.....	29
Outstanding Share Data.....	36
Summary of Quarterly Results	37
Related Party Transactions	38
Critical Accounting Estimates.....	39
Changes in Accounting Policies.....	40
Financial and Other Instruments	41
Additional Information.....	43

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain information set forth in this MD&A contains “forward-looking statements” and “forward-looking information” (collectively, “forward looking statements”) under applicable securities laws. Except for statements of historical fact, certain information contained herein relating to projected sales, coal prices, coal production, mine development, the capacity and recovery of Corsa’s preparation plants, expected cash production costs, geological conditions, future capital expenditures and expectations of market demand for coal, constitutes forward-looking statements which include management’s assessment of future plans and operations and are based on current internal expectations, estimates, projections, assumptions and beliefs, which may prove to be incorrect. Some of the forward-looking statements may be identified by words such as “estimates”, “expects”, “anticipates”, “believes”, “projects”, “plans”, “capacity”, “hope”, “forecast”, “anticipate”, “could” and similar expressions. These statements are not guarantees of future performance and undue reliance should not be placed on them. Such forward-looking statements necessarily involve known and unknown risks and uncertainties, which may cause Corsa’s actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. These risks and uncertainties include, but are not limited to: risks that the actual production or sales for the 2019 fiscal year will be less than projected production or sales for this period; risks that the prices for coal sales will be less than projected; liabilities inherent in coal mine development and production; geological, mining and processing technical problems; inability to obtain required mine licenses, mine permits and regulatory approvals or renewals required in connection with the mining and processing of coal; risks that Corsa’s preparation plants will not operate at production capacity during the relevant period, unexpected changes in coal quality and specification; variations in the coal mine or preparation plant recovery rates; dependence on third party coal transportation systems; competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel; incorrect assessments of the value of acquisitions; changes in commodity prices and exchange rates; changes in the regulations in respect to the use, mining and processing of coal; changes in regulations on refuse disposal; the effects of competition and pricing pressures in the coal market; the oversupply of, or lack of demand for, coal; inability of management to secure coal sales or third party purchase contracts; currency and interest rate fluctuations; various events which could disrupt operations and/or the transportation of coal products, including labor stoppages and severe weather conditions; the demand for and availability of rail, port and other transportation services; the ability to purchase third party coal for processing and delivery under purchase agreements; the ability to resolve litigation and similar matters involving the Company and/or its assets; and management’s ability to anticipate and manage the foregoing factors and risks. The forward-looking statements and information contained in this MD&A are based on certain assumptions regarding, among other things, coal sales being consistent with expectations; future prices for coal; future currency and exchange rates; Corsa’s ability to generate sufficient cash flow from operations and access capital markets to meet its future obligations; the regulatory framework representing royalties, taxes and environmental matters in the countries in which Corsa conducts business; coal production levels; Corsa’s ability to retain qualified staff and equipment in a cost-efficient manner to meet its demand; and Corsa being able to execute its program of operational improvement and initiatives. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. The reader is cautioned not to place undue reliance on forward-looking statements. Corsa does not undertake to update any of the forward-looking statements contained in this MD&A unless required by law. The statements as to Corsa’s capacity to produce coal are no assurance that it will achieve these levels of production or that it will be able to achieve these sales levels.

CAUTIONARY STATEMENT REGARDING CERTAIN MEASURES OF PERFORMANCE

This MD&A presents certain measures, including “EBITDA”; “Adjusted EBITDA”; “realized price per ton sold”; “cash production cost per ton sold”; “cash cost per ton sold”; and “cash margin per ton sold”, that are not recognized measures under IFRS. This data may not be comparable to data presented by other coal producers. For a definition and reconciliation of these measures to the most directly comparable financial information presented in the consolidated financial statements prepared in accordance with IFRS, see Non-GAAP Financial Measures starting on page 29 of this MD&A. The Company believes that these generally accepted industry measures are realistic indicators of operating performance and are useful in performing year-over-year comparisons. However, these non-GAAP measures should be considered together with other data prepared in accordance with IFRS, and these measures, taken by themselves, are not necessarily indicative of operating costs or cash flow measures prepared in accordance with IFRS.

SCIENTIFIC AND TECHNICAL INFORMATION

All scientific and technical information contained in this MD&A has been reviewed and approved by Peter V. Merritts, Professional Engineer and the Company’s President - NAPP Division, who is a qualified person within the meaning of National Instrument 43-101 - Standards of Disclosure for Mineral Projects.

FINANCIAL AND OPERATIONAL HIGHLIGHTS FOR THE FOURTH QUARTER AND FULL YEAR ENDED DECEMBER 31, 2018

- Corsa reported net and comprehensive income from continuing operations of \$10.3 million, or \$0.09 per share attributable to shareholders, for the fourth quarter 2018, compared to \$83.5 million, or \$0.74 per share attributable to shareholders, for the fourth quarter 2017. For the year ended December 31, 2018, Corsa reported net and comprehensive income from continuing operations of \$5.9 million, or \$0.03 per share attributable to shareholders compared to \$108.6 million, or \$0.93 per share attributable to shareholders for the year ended December 31, 2017. The fourth quarter and full year ended December 31, 2017 included an asset impairment reversal of \$86.2 million.
- Corsa's adjusted EBITDA⁽¹⁾ was \$11.3 million and \$35.0 million for the fourth quarter and year ended December 31, 2018, respectively. Corsa's EBITDA⁽¹⁾ was \$14.5 million and \$32.8 million for the fourth quarter and year ended December 31, 2018, respectively.
- Operating cash flows provided by continuing operations for the fourth quarter and year ended December 31, 2018 were \$5.6 million and \$15.3 million, respectively, compared to \$5.3 million and \$29.5 million, for the fourth quarter and year ended December 31, 2017, respectively.
- Total revenue from continuing operations was \$66.5 million and \$265.9 million for the fourth quarter and year ended December 31, 2018, respectively, compared to \$47.8 million and \$217.5 million for the fourth quarter and year ended December 31, 2017, respectively. Total revenue from continuing operations increased 22% for the year ended December 31, 2018 compared to the year ended December 31, 2017.
- Corsa sold a total of 466,525 and 1,872,105 tons of metallurgical coal in the fourth quarter and full year 2018 compared to 321,890 and 1,474,898 tons of metallurgical coal in the fourth quarter and full year 2017. For the year ended December 31, 2018, low volatile metallurgical coal sales volumes are up 23% versus 2017 comparable period levels, and total metallurgical coal sales volumes are up 27% as compared to year ended December 31, 2017.
- Corsa achieved an average realized price per ton of metallurgical coal sold⁽¹⁾ at its NAPP Division of \$116.27 for all metallurgical qualities in the fourth quarter 2018. This average realized price is the approximate equivalent of \$170 to \$175 on an FOB vessel basis⁽²⁾. For low volatile metallurgical coal sold, Corsa achieved the approximate equivalent of \$174 to \$179 on an FOB vessel basis⁽²⁾. For the year ended December 31, 2018, Corsa's sales mix included 27% of sales to domestic customers and 73% of sales to international customers.
- Cash production cost per ton sold⁽¹⁾ was \$76.77 for the fourth quarter 2018, a decrease of \$12.46 per ton, or 14%, as compared to the fourth quarter 2017.

Additional 2018 Milestones and Achievements

- A successful transition was made at the Casselman mine during the first half of 2018 to cross under a stream and access the northeast reserve base. This development created an access point to open up over 5 years of future mining in the Northeastern reserve area at Casselman.
- The Acosta mine achieved its full forecasted production run-rate level starting in June 2018, as goals related to staffing levels, mining equipment deliveries and regulatory approvals were met.
- Significant progress was made in restarting and developing the Horning mine, which has seen better coal qualities than expected.
- Corsa divested its thermal and industrial coal division in March 2018, becoming a pure-play metallurgical coal producer.
- In December 2018, Corsa entered into an amending agreement to extend the maturity date of its term credit facility from August 19, 2019 to August 19, 2020 and to amend certain other terms of the credit agreement governing its term credit facility made available by Sprott Resource Lending Corp.
- In December 2018, Corsa received the mining permit for the Schrock Run Extension mine as well as a permit to enable highwall mining at that operation.
- Corsa completed over \$4 million of land reclamation work in 2018.
- Corsa finished the funding of the Global Water Treatment Trust Fund, which enables future withdrawals of earnings in excess of fully funded amounts in order to defray ongoing water treatment costs.

⁽¹⁾ This is a non-GAAP financial measure. See "Non-GAAP Financial Measures" starting on page 29 of this MD&A.

⁽²⁾ Similar to most U.S. metallurgical coal producers, Corsa reports sales and costs per ton on an FOB mine site basis and denominated in short tons. Many international metallurgical coal producers report prices and costs on a delivered-to-the-port basis, thereby including freight costs between the mine and the port. Additionally, Corsa reports sales and costs per short ton, which is approximately 10% lower than a metric ton. For the purposes of this figure, we have used an illustrative freight rate of \$35-\$40 per short ton. Historically, freight rates rise and fall as market prices rise and fall. The low volatile metallurgical coal sales price is approximated at 3-4% above the equivalent metallurgical coal price on an FOB vessel basis. As a note, most published indices for metallurgical coal report prices on a delivered-to-the-port basis and denominated in metric tons.

BUSINESS OVERVIEW

Corsa is one of the leading United States suppliers of premium quality metallurgical coal, an essential ingredient in the production of steel. Corsa's core business is supplying premium quality metallurgical coal to domestic and international steel and coke producers. On March 13, 2018, Corsa divested its thermal and industrial coal division based in Tennessee (the "CAPP Division") by way of the sale of Kopper Glo Mining, LLC (the "CAPP Division Divestiture"). As a result of the CAPP Division Divestiture, the CAPP Division is classified as a discontinued operation. As of the date of this MD&A, Corsa produces coal from five mines, operates two preparation plants and has approximately 400 employees. Corsa's common shares ("Common Shares") are listed on the TSX Venture Exchange ("TSX-V") under the symbol "CSO".

The Company's coal operations are conducted through its NAPP Division based in Somerset, Pennsylvania, U.S.A. The NAPP Division is primarily focused on metallurgical coal production in the states of Pennsylvania and Maryland. Corsa markets and sells its NAPP coal to customers in North America, South America, and Asia.

Corsa's metallurgical coal sales figures are comprised of three types of sales: (i) selling coal that Corsa produces ("Company Produced"); (ii) selling coal that Corsa purchases and provides value added services (storing, washing, blending, loading) to make the coal saleable ("Value Added Services"); and (iii) selling coal that Corsa purchases on a clean or finished basis from suppliers outside the Northern Appalachia region ("Sales and Trading").

NAPP Division

Mines

NAPP currently operates the Casselman mine, an underground mine utilizing the room and pillar mining method; the Acosta mine, an underground mine utilizing the room and pillar mining method; the Horning mine, an underground mine utilizing the room and pillar mining method; the Schrock Run mine, a surface mine using contour mining methods; and the Byers mine, a surface mine using contour and auger mining methods. The Casselman mine is located in Garrett County, Maryland and the Acosta, Horning, Schrock Run and Byers mines are located in Somerset County, Pennsylvania.

Preparation Plants

NAPP currently operates two preparation plants, the Cambria Plant and the Shade Creek Plant, and has one preparation plant idled, the Rockwood Plant. The raw metallurgical coal produced from the NAPP mines is trucked to the preparation plants where it is processed or "washed" using conventional coal processing techniques and stored for shipping. All plants have load out facilities adjacent to a rail line. Coal is usually shipped by rail; however, it can also be shipped by truck. All of the preparation plants are located in Somerset County, Pennsylvania. The Cambria Plant has an operating capacity of 325 tons of raw coal per hour, storage capacity for 130,000 tons of clean coal and 55,000 tons of raw coal and load out facilities adjacent to a CSX rail line. The Shade Creek Plant has an operating capacity of 450 tons of raw coal per hour, storage capacity for 75,000 tons of clean coal and 170,000 tons of raw coal and load out facilities adjacent to a Norfolk Southern rail line. The Rockwood Plant has an operating capacity of 325 tons of raw coal per hour, storage capacity of 24,000 tons of clean coal and 85,000 tons of raw coal and load out facilities adjacent to a CSX rail line.

Growth Projects

NAPP has several significant projects which are in various stages of permitting and development.

Name	Type of Mine	Status
Keyser Project	Underground	Permit in Process
North Mine Project	Underground	Permit in Process
A Seam Project	Underground	Permitted

COAL PRICING TRENDS AND OUTLOOK

The fourth quarter of 2018 continued the theme of global supply-side challenges that were present throughout the earlier part of the year. Metallurgical coal mines in Australia encountered geological issues that resulted in mines being shut down, port and railroad worker strikes and weather impacting the availability of their coal ports. The United States had similar challenges with a large metallurgical coal producer filing bankruptcy; a hurricane hitting the U.S. East Coast (“USEC”), which slowed port and rail operations; and other operational issues, which limited deliveries. These events kept the market focused on supply-side issues and kept spot pricing strong to end the year. Spot prices for Australian premium low volatile metallurgical coal finished at \$220/metric ton (“mt”) from beginning the quarter at \$213/mt while USEC low volatile coal remained steady in \$197-198/mt. The futures market for 2019 has remained constructive with prices north of \$195/mt. The strength of the metallurgical coal forward curve for 2019 withstood pressure from the late December downturn in the global equity markets and other commodity markets, suggesting that fundamentals remain tight.

Global steel production finished up 4.5% on the year and, excluding China, the rest of the world grew at 2.3%, according to the World Steel Association. Chinese steel production grew 6.6%, while India was up 4.9% and the U.S. was up 6.2%. The strong global steel markets continue to drive a healthy U.S. export coal market. Total annual U.S. metallurgical coal exports were 49.5 million mt which was up 10% on the year. The U.S. also experienced strong steam coal export volumes which finished up 34% at nearly 45 million mt. Both the U.S. steam and metallurgical coal markets competed for export capacity which was already tight to begin 2018. Recently, steam coal prices have softened \$17/mt in the prompt quarter which could help alleviate congestion, storage space and rail service for metallurgical coal. We have witnessed improved rail performance as we finished 2018.

Over the fourth quarter, freight rates decreased globally for dry bulk markets making Asia cheaper to access from the U.S. To end the year, China instituted a metallurgical coal import ban in December. As 2019 begins, the Chinese government recently announced several safety issues which has caused a review of their safety procedures and temporary mine closures. This review could potentially increase the Chinese import requirement for metallurgical coal. Domestic metallurgical coal prices in China remain above the prevailing price for seaborne-traded metallurgical coal, suggesting that increases in Chinese imports are likely.

The end use of our coal by our customers in coke plants and steel making, the combustion of fuel by equipment used in coal production and the transportation of our coal to our customers, are all sources of greenhouse gases (“GHGs”). As well, coal mining itself can release methane, which is considered to be a more potent GHG than CO₂, directly into the atmosphere. These emissions from coal consumption, transportation and production are subject to pending and proposed regulation as part of initiatives to address global climate change. As a result, numerous proposals have been made and are likely to continue to be made at the international, national, regional and state levels of government to monitor and limit emissions of GHGs. The market for our coal may be adversely impacted if comprehensive legislation or regulations focusing on GHG emission reductions are adopted, or if our customers are unable to obtain financing for their operations.

See “Risk Factors” in the Company’s annual information form dated February 21, 2019 for the year ended December 31, 2018 for an additional discussion regarding certain factors that could impact coal pricing trends and outlook, as well as the Company’s ongoing operations.

SELECTED ANNUAL INFORMATION

	For the years ended December 31,		
	2018	2017	2016
Total revenue - continuing operations	\$ 265,853	\$ 217,507	\$ 67,072
Net and comprehensive income (loss) - total			
Attributable to shareholders	\$ 2,459	\$ 69,748	\$ (35,867)
Attributable to non-controlling interest	2,599	13,936	1,727
Total net and comprehensive income (loss)	\$ 5,058	\$ 83,684	\$ (34,140)
Basic earnings (loss) per share - continuing operations	\$ 0.03	\$ 0.96	\$ (0.43)
Basic earnings (loss) per share - discontinued operations	(0.01)	(0.22)	(0.01)
Basic earnings (loss) per share - total	\$ 0.02	\$ 0.74	\$ (0.44)
Diluted earnings (loss) per share - continuing operations	\$ 0.03	\$ 0.93	\$ (0.43)
Diluted earnings (loss) per share - discontinued operations	(0.01)	(0.21)	(0.01)
Diluted earnings (loss) per share - total	\$ 0.02	\$ 0.72	\$ (0.44)
Total assets	\$ 283,300	\$ 307,526	\$ 200,972
Total non-current financial liabilities	\$ 80,901	\$ 107,812	\$ 108,825
Dividends per share	\$ —	\$ —	\$ —

Corsa's recent financial results reflect the impact of the improved metallurgical coal price environment. As a result of increased demand for the metallurgical coal we produce, we have been able to increase our sales volumes by additional production from our existing mines as well as the establishment of a Sales and Trading platform in the 2017 calendar year, which was not previously part of the Company's business model. In the Sales and Trading platform, the Company purchases and sells coal on a clean or finished goods basis from suppliers outside of our main operating area. The Company then blends this coal, which primarily has a different quality basis than the coal we produce, to provide a blended product to customers who do not have the ability to purchase and blend different qualities of coal at their facilities. As a result of this platform, we have been able to significantly increase our revenues by expanding our customer base.

In the period ended December 31, 2017, net and comprehensive income was impacted by a reversal of the impairment charge, net of depreciation and amortization, of \$86.2 million, originally recognized in the 2015 period at the NAPP Division, as a result of the improved metallurgical coal price environment. Net and comprehensive income was also impacted by an additional impairment charge at the CAPP Division of \$20.0 million, which is classified as a discontinued operation, as a result of the decision to divest of this segment subsequent to December 31, 2017.

For each of the years presented, the consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with International Financial Reporting Standards and interpretations approved by the International Accounting Standards Board. The Company has consistently applied the same accounting policies throughout all periods presented. The Company's presentation currency is the United States dollar.

FINANCIAL AND OPERATIONAL RESULTS

(in thousands)	For the three months ended December 31,		
	2018	2017	Variance
Revenue	\$ 66,513	\$ 47,846	\$ 18,667
Cost of sales	(54,091)	40,525	(94,616)
Gross margin	12,422	88,371	(75,949)
Selling, general and administrative expense	(4,090)	(4,349)	259
(Loss) income from operations	8,332	84,022	(75,690)
Net finance expense	(3,831)	(1,183)	(2,648)
Other income	3,013	688	2,325
(Loss) income before tax	7,514	83,527	(76,013)
Income tax (benefit)	(2,759)	—	(2,759)
Net and comprehensive income from continuing operations	\$ 10,273	\$ 83,527	\$ (73,254)
Diluted (loss) earnings per share from continuing operations	\$ 0.09	\$ 0.74	\$ (0.65)

(in thousands)	For the years ended December 31,		
	2018	2017	Variance
Revenue	\$ 265,853	\$ 217,507	\$ 48,346
Cost of sales	(236,840)	(87,575)	(149,265)
Gross margin	29,013	129,932	(100,919)
Selling, general and administrative expense	(20,607)	(16,136)	(4,471)
(Loss) income from operations	8,406	113,796	(105,390)
Net finance expense	(9,286)	(4,151)	(5,135)
Other income (expense)	3,992	(1,048)	5,040
(Loss) income before tax	3,112	108,597	(105,485)
Income tax (benefit)	(2,759)	—	(2,759)
Net and comprehensive (loss) income from continuing operations	\$ 5,871	\$ 108,597	\$ (102,726)
Diluted (loss) earnings per share from continuing operations	\$ 0.03	\$ 0.93	\$ (0.90)

Operations Summary

(in thousands)	For the three months ended December 31,		
	2018	2017	Variance
Coal sold - tons			
NAPP - metallurgical coal	466	322	144
Realized price per ton sold ⁽¹⁾			
NAPP - metallurgical coal	\$ 116.27	\$ 122.25	\$ (5.98)
Cash production cost per ton sold ⁽¹⁾⁽²⁾			
NAPP - metallurgical coal	\$ 76.77	\$ 89.23	\$ 12.46
Cash cost per ton sold ⁽¹⁾⁽³⁾			
NAPP - metallurgical coal	\$ 85.39	\$ 89.43	\$ 4.04
Cash margin per ton sold ⁽¹⁾			
NAPP - metallurgical coal	\$ 30.88	\$ 32.82	\$ (1.94)
EBITDA ⁽¹⁾			
NAPP	\$ 16,109	\$ 88,716	\$ (72,607)
Corporate	(1,563)	(1,839)	276
Total	<u>\$ 14,546</u>	<u>\$ 86,877</u>	<u>\$ (72,331)</u>
Adjusted EBITDA ⁽¹⁾			
NAPP	\$ 12,304	\$ 9,392	\$ 2,912
Corporate	(970)	(1,262)	292
Total	<u>\$ 11,334</u>	<u>\$ 8,130</u>	<u>\$ 3,204</u>

⁽¹⁾ This is a non-GAAP financial measure. See “Non-GAAP Financial Measures” starting on page 29 of this MD&A.

⁽²⁾ Cash production cost per ton sold excludes purchased coal. This non-GAAP Financial measure is defined in more detail in “Non-GAAP Financial Measures” starting on page 29 of this MD&A.

⁽³⁾ Cash cost per ton sold includes purchased coal. This non-GAAP Financial measure is defined in more detail in “Non-GAAP Financial Measures” starting on page 29 of this MD&A.

(in thousands)	For the years ended December 31,		
	2018	2017	Variance
Coal sold - tons			
NAPP - metallurgical coal	1,872	1,475	397
Realized price per ton sold ⁽¹⁾			
NAPP - metallurgical coal	\$ 114.50	\$ 125.56	\$ (11.06)
Cash production cost per ton sold ⁽¹⁾⁽²⁾			
NAPP - metallurgical coal	\$ 83.61	\$ 74.18	\$ (9.43)
Cash cost per ton sold ⁽¹⁾⁽³⁾			
NAPP - metallurgical coal	\$ 88.59	\$ 84.45	\$ (4.14)
Cash margin per ton sold ⁽¹⁾			
NAPP - metallurgical coal	\$ 25.91	\$ 41.11	\$ (15.20)
EBITDA ⁽¹⁾			
NAPP	\$ 41,196	\$ 129,237	\$ (88,041)
Corporate	(8,367)	(4,507)	(3,860)
Total	<u>\$ 32,829</u>	<u>\$ 124,730</u>	<u>\$ (91,901)</u>
Adjusted EBITDA ⁽¹⁾			
NAPP	\$ 40,048	\$ 51,883	\$ (11,835)
Corporate	(5,043)	(4,091)	(952)
Total	<u>\$ 35,005</u>	<u>\$ 47,792</u>	<u>\$ (12,787)</u>

(1) This is a non-GAAP financial measure. See “Non-GAAP Financial Measures” starting on page 29 of this MD&A.

(2) Cash production cost per ton sold excludes purchased coal. This non-GAAP Financial measure is defined in more detail in “Non-GAAP Financial Measures” starting on page 29 of this MD&A.

(3) Cash cost per ton sold includes purchased coal. This non-GAAP Financial measure is defined in more detail in “Non-GAAP Financial Measures” starting on page 29 of this MD&A.

REVIEW OF FOURTH QUARTER FINANCIAL RESULTS

(in thousands)	For the three months ended December 31, 2018		
	NAPP	Corporate	Consolidated
Revenue	\$ 66,513	\$ —	\$ 66,513
Cost of sales	(54,091)	—	(54,091)
Gross margin	12,422	—	12,422
Selling, general and administrative expense	(2,769)	(1,321)	(4,090)
Income (loss) from operations	9,653	(1,321)	8,332
Net finance expense	(2,770)	(1,061)	(3,831)
Other income	3,013	—	3,013
Income (loss) before tax	9,896	(2,382)	7,514
Income tax (benefit)	—	(2,759)	(2,759)
Net and comprehensive income from continuing operations	\$ 9,896	\$ 377	\$ 10,273

(in thousands)	For the three months ended December 31, 2017		
	NAPP	Corporate	Consolidated
Revenue	\$ 47,846	\$ —	\$ 47,846
Cost of sales	40,525	—	40,525
Gross margin	88,371	—	88,371
Selling, general and administrative expense	(2,691)	(1,658)	(4,349)
Income (loss) from operations	85,680	(1,658)	84,022
Net finance expense	(184)	(999)	(1,183)
Other income	688	—	688
Income (loss) before tax	86,184	(2,657)	83,527
Income tax expense (benefit)	—	—	—
Net and comprehensive income (loss) from continuing operations	\$ 86,184	\$ (2,657)	\$ 83,527

(in thousands)	Dollar variance for the three months ended December 31, 2018 versus 2017		
	NAPP	Corporate	Consolidated
Revenue	\$ 18,667	\$ —	\$ 18,667
Cost of sales	(94,616)	—	(94,616)
Gross margin	(75,949)	—	(75,949)
Selling, general and administrative expense	(78)	337	259
(Loss) income from operations	(76,027)	337	(75,690)
Net finance (expense) income	(2,586)	(62)	(2,648)
Other income	2,325	—	2,325
(Loss) income before tax	(76,288)	275	(76,013)
Income tax (benefit)	—	(2,759)	(2,759)
Net and comprehensive (loss) income from continuing operations	\$ (76,288)	\$ 3,034	\$ (73,254)

Operating Segments

Corsa's two distinct operating segments are NAPP and Corporate. Prior to the CAPP Division Divestiture on March 13, 2018, the Company also had a CAPP Division operating segment, which is now classified as a discontinued operation. The financial results of the continuing operating segments for the three months ended December 31, 2018 and 2017 are as follows:

NAPP Division

Revenue - NAPP Division

(in thousands)	For the three months ended December 31,		
	2018	2017	Variance
Metallurgical coal revenue (at preparation plant)	\$ 54,182	\$ 39,366	\$ 14,816
Thermal coal revenue (at preparation plant)	262	2,269	(2,007)
Transportation revenue	10,335	4,657	5,678
Tolling revenue	1,734	1,554	180
	<u>\$ 66,513</u>	<u>\$ 47,846</u>	<u>\$ 18,667</u>

- Metallurgical coal revenue, net of transportation charges, increased \$14,816 as a result of increased sales volumes which increased revenue by \$17,605 partially offset by lower sales price per ton sold which decreased revenue by \$2,789. Metallurgical coal sold was 466 tons and 322 tons for the three months ended December 31, 2018 and 2017, respectively, an increase of 144 tons. The increase was primarily due to the timing of shipments. Realized price per ton sold decreased \$5.98 primarily due to an increase in rail transportation costs and demurrage expense which reduced the FOB mine price per ton as these costs cannot be passed along to the customer.
- Thermal coal revenue decreased \$2,007 as a result of the expiration of thermal coal sales contracts for the NAPP Division.
- Revenue associated with the transportation of coal to the loading terminal or customer increased \$5,678 as a result of increased freight rates and additional volumes in the three months ended December 31, 2018 as compared to the 2017 period and increased demurrage charges incurred during the 2018 period due to rail and port congestion. Demurrage charges totaled \$775 in the three months ended December 31, 2018 compared to \$65 in the three months ended December 31, 2017.
- Tolling revenue increased \$180 as a result of the Company processing additional third-party coal through its preparation plant during the three months ended December 31, 2018.

Cost of sales - NAPP Division

Cost of sales consists of the following:

(in thousands)	For the three months ended December 31,		
	2018	2017	Variance
Mining and processing costs	\$ 19,915	\$ 14,052	\$ 5,863
Purchased coal costs	18,232	15,365	2,867
Royalty expense	1,938	1,327	611
Amortization expense	5,927	2,350	3,577
Transportation costs from preparation plant to customer	10,335	4,657	5,678
Idle mine expense	592	107	485
Change in estimate of reclamation and water treatment provision	(3,727)	6,293	(10,020)
Impairment adjustments of mineral properties	—	(86,188)	86,188
Tolling costs	758	725	33
Write-off of advance royalties and other assets	—	12	(12)
Other costs	121	775	(654)
	<u>\$ 54,091</u>	<u>\$ (40,525)</u>	<u>\$ 94,616</u>

- Mining and processing costs increased primarily due to additional volumes produced and sold during the three months ended December 31, 2018 as compared to the three months ended December 31, 2017. This increase was partially offset by lower costs per ton as a result of the achieving full production rates at the Acosta mine.
- Purchased coal costs increased primarily due to additional volumes of purchased metallurgical coal sold during the three months ended December 31, 2018 as compared to the three months ended December 31, 2017. This increase was partially offset as a result of the expiration of a thermal coal sales contract in December 2017.
- Royalty expense increased as a result of additional volume of coal sold during the three months ended December 31, 2018 as compared to the three months ended December 31, 2017.
- Amortization expense increased primarily as a result of increased carrying values of assets which resulted from the impairment reversal that was recorded in December 2017 as well as additional volumes sold.
- Transportation costs increased due to increased volumes of coal sold directly to customers in which Corsa is obligated to provide transportation to the vessel loading port, increased freight rates and increased demurrage charges as a result of rail and port congestion. Demurrage charges totaled \$775 in the three months ended December 31, 2018 compared to \$65 in the three months ended December 31, 2017.
- Idle mine expense increased due primarily to the Quecreek mine closure as a result of exhausting the reserves as the mine in August 2018. Due to this mine closure, additional costs were incurred to remove equipment until final mine closure can be achieved, which is expected to occur during the first quarter of 2019.
- Change in estimate of reclamation and water treatment provision was the result of changes in the underlying assumptions utilized to measure the liability.
- A reversal of the previously recognized impairment of mineral properties, net of depreciation and amortization, was recognized in the three months ended December 31, 2017 as a result of the recovery in the coal markets since the impairment was originally taken. There were no further impairment related adjustments during the three months ended December 31, 2018.
- Other costs decreased as a result of various items, none of which were individually material.

Selling, general and administrative expense - NAPP Division

Selling, general and administrative expense consists of the following:

(in thousands)	For the three months ended December 31,		
	2018	2017	Variance
Salaries and other compensations	\$ 795	\$ 886	\$ (91)
Employee benefits	277	258	19
Selling expense	630	913	(283)
Professional fees	570	175	395
Office expenses and insurance	379	371	8
Other	118	88	30
	<u>\$ 2,769</u>	<u>\$ 2,691</u>	<u>\$ 78</u>

- Selling, general and administrative expense related to the NAPP Division decreased primarily due a reduction in selling expense for export sales commissions paid to third party agents, a decrease in letter of credit fees as a result of fewer export vessels that required letters of credit during the three months ended December 31, 2018 and a reduction in the anticipated incentive compensation in the three months ended December 31, 2018. These decreases were partially offset by increased legal, engineering, environmental services and staffing requirements.

Net finance expense (income) - NAPP Division

(in thousands)	For the three months ended December 31,		
	2018	2017	Variance
Bond premium expense	\$ 360	\$ 340	\$ 20
Interest expense	286	182	104
Interest income	(7)	(4)	(3)
Accretion on reclamation provision	384	352	32
Change in market value of restricted cash expense (income)	1,712	(720)	2,432
Other	35	34	1
	<u>\$ 2,770</u>	<u>\$ 184</u>	<u>\$ 2,586</u>

- Net finance expense increased primarily due to the change in market value of the water treatment trust fund accounts. The value of these trust funds are marked to market on a monthly basis and market losses were recognized during the three months ended December 31, 2018 and market gains were recognized for the three months ended December 31, 2017.

Other income - NAPP Division

Other income was \$3,013 in the three months ended December 31, 2018 compared to \$688 in the three months ended December 31, 2017, an increase of \$2,325. This increase was primarily the result of a derecognized processing fee payable where no payment will be required to settle the obligation. This increase was partially offset by various other items, none of which were individually material.

Corporate Division

Selling, general and administrative expense - Corporate Division

Selling, general and administrative expense consists of the following:

(in thousands)	For the three months ended December 31,		
	2018	2017	Variance
Salaries and other compensations	\$ 769	\$ 952	\$ (183)
Employee benefits	60	40	20
Professional fees	283	407	(124)
Office expenses and insurance	138	228	(90)
Other	71	31	40
	<u>\$ 1,321</u>	<u>\$ 1,658</u>	<u>\$ (337)</u>

- Selling, general and administrative expenses decreased primarily due to a reduction in the anticipated incentive compensation and reduced legal fees in the three months ended December 31, 2018. These decreases were partially offset by additional staffing.

Income tax benefit - Corporate Division

As a result of the 2017 U.S. Tax Reform: Tax Cuts and Jobs Act, the corporate alternative minimum tax ("AMT") was repealed and for tax years beginning after 2017, but before 2022, the AMT credit may offset regular tax liability for any year and is refundable in an amount equal to 50% of the excess of the minimum tax credit for the tax year over the amount of the credit allowable for the year against regular tax liability. As a result, the Company recognized a benefit of the AMT credit in the amount of \$2,759.

REVIEW OF 2018 ANNUAL FINANCIAL RESULTS

(in thousands)	For the year ended December 31, 2018		
	NAPP	Corporate	Consolidated
Revenue	\$ 265,853	\$ —	\$ 265,853
Cost of sales	(236,840)	—	(236,840)
Gross margin	29,013	—	29,013
Selling, general and administrative expense	(12,749)	(7,858)	(20,607)
Income (loss) from operations	16,264	(7,858)	8,406
Net finance expense	(4,890)	(4,396)	(9,286)
Other income	3,992	—	3,992
Income (loss) before tax	15,366	(12,254)	3,112
Income tax (benefit)	—	(2,759)	(2,759)
Net and comprehensive income (loss) from continuing operations	\$ 15,366	\$ (9,495)	\$ 5,871

(in thousands)	For the year ended December 31, 2017		
	NAPP	Corporate	Consolidated
Revenue	\$ 217,507	\$ —	\$ 217,507
Cost of sales	(87,575)	—	(87,575)
Gross margin	129,932	—	129,932
Selling, general and administrative expense	(10,620)	(5,516)	(16,136)
Income (loss) from operations	119,312	(5,516)	113,796
Net finance expense	(1,274)	(2,877)	(4,151)
Other expense	(1,048)	—	(1,048)
Income (loss) before tax	116,990	(8,393)	108,597
Income tax expense (benefit)	—	—	—
Net and comprehensive income (loss) from continuing operations	\$ 116,990	\$ (8,393)	\$ 108,597

(in thousands)	Dollar variance for the year ended December 31, 2018 versus 2017		
	NAPP	Corporate	Consolidated
Revenue	\$ 48,346	\$ —	\$ 48,346
Cost of sales	(149,265)	—	(149,265)
Gross margin	(100,919)	—	(100,919)
Selling, general and administrative expense	(2,129)	(2,342)	(4,471)
Loss from operations	(103,048)	(2,342)	(105,390)
Net finance expense	(3,616)	(1,519)	(5,135)
Other income	5,040	—	5,040
Loss before tax	(101,624)	(3,861)	(105,485)
Income tax (benefit)	—	(2,759)	(2,759)
Net and comprehensive loss from continuing operations	\$ (101,624)	\$ (1,102)	\$ (102,726)

Operating Segments

Corsa's two distinct operating segments are NAPP and Corporate. Prior to the CAPP Division Divestiture on March 13, 2018, the Company also had a CAPP Division operating segment, which is now classified as a discontinued operation. The financial results of the continuing operating segments for the year ended December 31, 2018 and 2017 are as follows:

NAPP Division

Revenue - NAPP Division

(in thousands)	For the years ended December 31,		
	2018	2017	Variance
Metallurgical coal revenue (at preparation plant)	\$ 214,352	\$ 185,202	\$ 29,150
Thermal coal revenue (at preparation plant)	949	9,678	(8,729)
Transportation revenue	44,054	19,111	24,943
Tolling revenue	6,498	3,516	2,982
	<u>\$ 265,853</u>	<u>\$ 217,507</u>	<u>\$ 48,346</u>

- Metallurgical coal revenue, net of transportation charges, increased \$29,150 as a result of increased sales volumes which increased revenue by \$49,848 partially offset by decreased sales price per ton sold which decreased revenue by \$20,698. Metallurgical coal sold was 1,872 tons and 1,475 tons for the years ended December 31, 2018 and 2017, respectively, an increase of 397 tons. This increase was primarily due to increased market demand for metallurgical coal and the development of the Company's Sales and Trading platform. Realized price per ton sold decreased \$11.06 primarily due to an increase in rail transportation costs and demurrage expense which reduced the FOB mine price per ton as these costs cannot be passed along to the customer.
- Thermal coal revenue decreased \$8,729 as a result of the expiration of thermal coal sales contracts for the NAPP Division.
- Revenue associated with the transportation of coal to the loading terminal or customer increased \$24,943 as a result of increased export sales volumes, increased freight rates and increased demurrage charges as a result of rail and port congestion. Demurrage charges totaled \$4,205 in the year ended December 31, 2018 compared to \$610 in the year ended December 31, 2017.
- Tolling revenue increased \$2,982 as a result of the Company processing additional third-party coal through its preparation plant during the year ended December 31, 2018. The toll washing contract commenced in the second quarter of 2017.

Cost of sales - NAPP Division

Cost of sales consists of the following:

(in thousands)	For the years ended December 31,		
	2018	2017	Variance
Mining and processing costs	\$ 76,130	\$ 54,451	\$ 21,679
Purchased coal costs	83,882	73,040	10,842
Royalty expense	6,808	6,002	806
Amortization expense	25,020	11,492	13,528
Transportation costs from preparation plant to customer	44,054	19,111	24,943
Idle mine expense	1,200	880	320
Change in estimate of reclamation and water treatment provision	(3,727)	6,293	(10,020)
Impairment adjustments of mineral properties	—	(86,188)	86,188
Tolling costs	2,447	1,533	914
Write-off of advance royalties and other assets	38	315	(277)
Other costs	988	646	342
	<u>\$ 236,840</u>	<u>\$ 87,575</u>	<u>\$ 149,265</u>

- Mining and processing costs increased primarily due to the increase in Company Produced volumes sold and less favorable geological conditions at the Casselman mine and the Acosta mine which increased costs in the first half of 2018. The Casselman mine completed the transition under a stream to access the northeastern part of the reserve base which resulted in increased costs for roof support and slowed advance rates in the first half of the 2018 period. The Acosta mine continued the ramp up during the first half of 2018 and reached its full forecasted production run-rate in June 2018, as goals related to staffing levels, mining equipment deliveries and regulatory approvals have been met.
- Purchased coal costs increased as additional volumes were purchased and sold as a result of the Company's Sales and Trading platform where coal is purchased to blend with the Company's production to ship a blended metallurgical coal product to export customers. The increase related to additional volumes purchased was partially offset by a lower cost per ton sold as a result of changes in the market for metallurgical coal. This increase was partially offset as a result of the expiration of a thermal coal sales contract in December 2017. For further details surrounding the Sales and Trading platform, see "Non-GAAP Financial Measures" on page 29 of this MD&A.
- Royalty expense increased as a result of additional volumes sold.
- Amortization expense increased primarily as a result of increased carrying values of assets which resulted from the impairment reversal that was recorded in December 2017 as well as additional volumes sold.
- Transportation costs increased due to increased volumes of coal sold directly to customers in which Corsa is obligated to provide transportation to the vessel loading port, increased freight rates and increased demurrage charges as a result of rail and port congestion. Demurrage charges totaled \$4,205 in the year ended December 31, 2018 compared to \$610 in the year ended December 31, 2017.
- Idle mine expense increased due primarily to the Quecreek mine closure as a result of exhausting the reserves as the mine in August 2018. Due to this mine closure, additional costs were incurred to remove equipment until final mine closure can be achieved, which is expected to occur during the first quarter of 2019.
- Change in estimate of reclamation and water treatment provision was the result of changes in the underlying assumptions utilized to measure the liability.
- A reversal of the previously recognized impairment of mineral properties, net of depreciation and amortization, was recognized in the three months ended December 31, 2017 as a result of the recovery in the coal markets since the impairment was originally taken. There were no further impairment related adjustments during the three months ended December 31, 2018.
- Tolling costs increased as a result of the Company processing additional third-party coal through its preparation plant during the year ended December 31, 2018. The toll washing contract commenced in the second quarter of 2017.
- Other costs increased due to various items, none of which were individually material.

Selling, general and administrative expense - NAPP Division

Selling, general and administrative expense consists of the following:

(in thousands)	For the years ended December 31,		
	2018	2017	Variance
Salaries and other compensations	\$ 4,067	\$ 3,597	\$ 470
Employee benefits	1,030	886	144
Selling expense	3,843	3,687	156
Professional fees	1,363	783	580
Office expenses and insurance	1,898	1,118	780
Other	548	549	(1)
	<u>\$ 12,749</u>	<u>\$ 10,620</u>	<u>\$ 2,129</u>

- Selling, general and administrative expense related to the NAPP Division increased primarily due to additional staffing requirements and increased legal, insurance, engineering, environmental and information technology services.

Net finance expense (income) - NAPP Division

(in thousands)	For the years ended December 31,		
	2018	2017	Variance
Bond premium expense	\$ 1,395	\$ 1,328	\$ 67
Interest expense	810	755	55
Interest income	(32)	(13)	(19)
Accretion on reclamation provision	1,533	1,394	139
Change in market value of restricted cash expense (income)	1,050	(2,318)	3,368
Other	134	128	6
	<u>\$ 4,890</u>	<u>\$ 1,274</u>	<u>\$ 3,616</u>

- Net finance expense increased primarily due to the change in market value of the water treatment trust fund accounts. The value of these trust funds are marked to market on a monthly basis and market losses were recognized during the year ended December 31, 2018 and market gains were recognized for the year ended December 31, 2017.

Other income (expense) - NAPP Division

Other income was \$3,992 in the year ended December 31, 2018 compared to expense of \$1,048 in the year ended December 31, 2017, an increase of \$5,040. This increase was primarily the result of a derecognized processing fee payable where no payment will be required to settle the obligation. Additionally, there was an increase related to royalty income for coal owned by the Company which other coal producers are mining as well as lower litigation expense in the year ended December 31, 2018 as a result of recognizing a significant portion of the estimated settlement related to the Lucchini litigation in the year ended December 31, 2017.

Corporate Division

Selling, general and administrative expense - Corporate Division

Selling, general and administrative expense consists of the following:

(in thousands)	For the years ended December 31,		
	2018	2017	Variance
Salaries and other compensations	\$ 4,047	\$ 3,289	\$ 758
Employee benefits	226	132	94
Professional fees	2,681	1,298	1,383
Office expenses and insurance	740	673	67
Other	164	124	40
	<u>\$ 7,858</u>	<u>\$ 5,516</u>	<u>\$ 2,342</u>

- Selling, general and administrative expenses increased primarily due to increased business development, legal and accounting professional services as well as increased staffing levels.

Net finance expense (income) - Corporate Division

Net finance expense (income) consists of the following:

	For the years ended December 31,		
	2018	2017	Variance
Warrant financial liability (gain) loss	\$ (769)	\$ (2,036)	\$ 1,267
Interest expense	3,887	3,886	1
Accretion of discount on loan payable	1,329	1,328	1
Foreign exchange (gain) loss	18	(149)	167
Interest income	(69)	(152)	83
	<u>\$ 4,396</u>	<u>\$ 2,877</u>	<u>\$ 1,519</u>

- The Warrant financial liability resulted in income of \$769 and \$2,036 in the years ended December 31, 2018 and 2017, respectively, due to changes in the underlying assumptions used to value the liability.

Income tax benefit - Corporate Division

As a result of the 2017 U.S. Tax Reform: Tax Cuts and Jobs Act, the corporate alternative minimum tax ("AMT") was repealed and for tax years beginning after 2017, but before 2022, the AMT credit may offset regular tax liability for any year and is refundable in an amount equal to 50% of the excess of the minimum tax credit for the tax year over the amount of the credit allowable for the year against regular tax liability. As a result, the Company recognized a benefit of the AMT credit in the amount of \$2,759.

FINANCIAL CONDITION

(in thousands)	December 31, 2018	December 31, 2017	Variance
Current assets	\$ 55,628	\$ 73,108	\$ (17,480)
Non-current assets	227,672	234,418	(6,746)
Total assets	<u>\$ 283,300</u>	<u>\$ 307,526</u>	<u>\$ (24,226)</u>
Current liabilities	\$ 51,403	\$ 55,432	\$ 4,029
Non-current liabilities	80,901	107,812	26,911
Total liabilities	<u>\$ 132,304</u>	<u>\$ 163,244</u>	<u>\$ 30,940</u>
Total equity	<u>\$ 150,996</u>	<u>\$ 144,282</u>	<u>\$ 6,714</u>

- Current assets decreased primarily due to cash and cash flows from operations being invested in capital equipment, growth projects and debt service costs. Current assets also decreased as a result of a significant reduction in coal inventory as a result of timing of shipments and the CAPP Division Divestiture. These decreases were partially offset by an increase in accounts receivable due to timing of customer shipments and the recognition of a tax credit receivable.
- Non-current assets decreased as a result of the CAPP Division Divestiture and market losses on the restricted cash investments.
- Current liabilities decreased primarily due to reduced accounts payable and accrued liabilities as a result of timing of payables and due to the CAPP Division Divestiture. These decreases were partially offset due to the reclassification of a portion of the term loan payable to Sprott Resource Lending Corp. (“SRLC”) (the “Facility”) to current as a result of the amended Facility.
- Non-current liabilities decreased as a result of the reclassification of a portion of the Term Loan to current, reclamation and water treatment payments made, the impact of the CAPP Division Divestiture, changes in estimate of the water treatment liability and various other decreases, none of which were individually material.
- Total equity increased primarily due to the net and comprehensive income that occurred during the period, the impact of stock-based compensation and an additional share issuance.

LIQUIDITY AND CAPITAL RESOURCES

Our historical sources of cash have been coal sales to customers, processing fees earned and proceeds received from the issuance of securities. Our primary uses of cash have been for funding existing operations, capital expenditures, reclamation and water treatment obligations, water treatment trust funding, debt service costs and professional fees. We expect to fund maintenance capital, debt service and liquidity requirements with cash on hand and projected cash flow from operations. Our future spending on growth capital expenditures and development of coal properties will be dependent upon market conditions, achieving acceptable rates of return on investment and financing availability.

If our cash flows from operations are less than we require, we may need to incur additional debt or issue additional equity. From time to time we may need to access the long-term and short-term capital markets to obtain financing. Although we believe we can currently finance our operations on acceptable terms and conditions, our access to, and the availability of, financing on acceptable terms and conditions in the future will be affected by many factors, including the liquidity of the overall capital markets, the current state of the global economy and restrictions in our existing debt agreements and any other future debt agreements. There can be no assurance that we will have or continue to have access to the capital markets on terms acceptable to us.

(in thousands)	December 31, 2018	December 31, 2017	Variance
Cash	\$ 10,124	\$ 20,721	\$ (10,597)
Working capital	\$ 4,225	\$ 17,676	\$ (13,451)
Total Debt			
Notes payable	\$ 425	\$ 1,562	\$ (1,137)
Finance lease obligations	4,525	4,502	23
Loan payable	30,452	29,763	689
	\$ 35,402	\$ 35,827	\$ (425)

Working Capital

Working capital decreased as a result of the reclassification of a portion of the Facility to current as a result of the amended Facility agreement which requires principal repayments within the next twelve months, planned investments in capital equipment, the development of the Horning mine and a reduction in coal inventory as a result of shipment timing. These decreases were partially offset by a reduction in accounts payable due to timing of vendor payments, an increase in trade receivables due to timing of shipments and an increase in accounts receivable due to a tax credit receivable.

As a result of the amended Facility requiring principal payments within the next twelve months, we may defer maintenance and growth capital expenditures in order to service the Facility.

We maintain a sufficient cash balance to enable us to purchase the required coal in order to advance our Sales and Trading platform. As a result of the additional export sales under this platform, we are required to purchase coal and incur transportation costs prior to receiving payment from the customer on the coal sale. To mitigate the timing risk, we maintain an adequate level of cash to support the Sales and Trading platform. There are no legal or practical restrictions on the ability of Corsa's subsidiaries to transfer funds to Corsa or for Corsa to transfer funds to its subsidiaries for liquidity management.

Total Debt

Debt decreased as a result of payments made on the existing notes payable and finance lease obligations, the divestiture of the CAPP Division where the purchaser assumed these debt obligations and the payment of an amendment fee related to the amended Facility. These decreases were partially offset by additional borrowings related to equipment purchases and amortization of debt issuance costs.

Contingent Receivable - A Seam Condemnation

In December 2014, PBS Coals, Inc. filed a Petition with the Court of Common Pleas of Somerset County, Pennsylvania, seeking to convene a State Mining Commission (the "SMC") in order to determine the quantity and value of coal required to be left in place as a result Pennsylvania Department of Transportation's construction of State Route 219 over coal estates leased by PBS Coals, Inc. from Penn Pocahontas Coal Co. The SMC was convened in January 2015 and then bifurcated the proceedings into quantity and valuation phases. The SMC heard testimony on the quantity phase during dates between November 2016 and June

2017. On August 24, 2017, the SMC issued a ruling on the support quantity favorable to PBS Coals, Inc. and directed further hearings regarding the tonnages, valuation and mineability of the support coal. The hearings were completed in September 2018 and a ruling from the SMC is expected within the next three months. Presently, the Company has not recognized this contingent receivable and cannot provide a reasonable estimate for the potential magnitude of the claim.

Cash Flows from Continuing Operations

	For the three months ended			For the years ended		
	December 31,			December 31,		
	2018	2017	Change	2018	2017	Change
Cash Flows:						
Provided by operating activities	\$ 5,627	\$ 5,284	\$ 343	\$ 15,307	\$ 29,476	\$ (14,169)
Used in investing activities	(3,075)	(7,648)	4,573	(22,115)	(26,191)	4,076
Used in financing activities	(1,564)	(882)	(682)	(3,675)	(3,464)	(211)
Increase (decrease) in cash	988	(3,246)	4,234	(10,483)	(179)	(10,304)
Cash at beginning of period	9,136	23,853	(14,717)	20,607	20,786	(179)
Cash at end of period	<u>\$ 10,124</u>	<u>\$ 20,607</u>	<u>\$ (10,483)</u>	<u>\$ 10,124</u>	<u>\$ 20,607</u>	<u>\$ (10,483)</u>

- Cash flow provided by operating activities increased \$343 in three months ended December 31, 2018 compared to the same period in the prior year. This increase was primarily due to improved operational performance and additional sales partially offset by a use of cash due to various changes in working capital. Cash flow provided by operating activities decreased \$14,169 for the year ended December 31, 2018 compared to the prior year primarily due to the decrease in net and comprehensive income. This decrease was driven by the increase in mining costs as a result of difficult geological conditions encountered at the Casselman and Acosta mines partially offset by increased revenues as a result of higher sales volumes. The decrease was also impacted by increased spending on reclamation and water treatment activities as a result of a planned increase in reclamation activities and increased rainfall which resulted in additional water treatment costs. These decreases were partially offset by various changes in working capital.
- Cash used in investing activities was lower for the three months and year ended December 31, 2018 primarily due to reduced capital expenditures in the 2018 period as compared to the 2017 period which included significant growth capital related to the opening of the Acosta mine.
- Cash used in financing activities increased for the three months ended December 31, 2018 as a result of the debt issuance costs associated with the amended Facility. Cash used in financing activities increased for the year ended December 31, 2018 as a result of the debt issuance costs partially offset by the expiration of certain finance lease obligations and notes payable.

Capital Expenditures

The equipment and development added to property, plant and equipment and the cash flow impact (adjusting the increase to property plant and equipment for non-cash transactions) for the year ended December 31, 2018 were as follows:

	Increase to PP&E	Cash Flow Impact
Maintenance capital expenditures		
Deep mines	\$ 8,466	\$ 7,810
Surface mines	1,551	712
Plant	3,140	915
Administrative	61	24
	<u>13,218</u>	<u>9,461</u>
Growth capital expenditures		
Deep mines	11,945	10,547
Surface mines	388	388
Plant	869	869
	<u>13,202</u>	<u>11,804</u>
Total capital expenditures	<u>\$ 26,420</u>	<u>\$ 21,265</u>

Corsa's capital expenditures for the year ended December 31, 2018 were primarily focused on maintenance capital to replace mining equipment and growth capital to develop the Horning mine and to expand the refuse area. Corsa's future spending on property, plant and equipment at its operations and development of coal properties will be dependent upon market conditions, achieving acceptable rates of return on investment and financing availability.

In September 2016, the Company was notified that it was awarded \$3,000 in funding under the Pennsylvania Redevelopment Assistance Capital Program to develop an underground coal mine in Somerset County subject to certain conditions, including but not limited to: (i) completing the Redevelopment Assistance application; (ii) confirmation that at least 50% of the required non-state funds necessary to complete the project are secured at the time of application; (iii) execution of a grant agreement; and (iv) commencement of construction within six months of the final grant agreement. In June 2018, the Company received notification that the conditions of the grant had been met and recognized a reduction to property, plant and equipment. The Company received 95% of the grant, or \$2,850, in July 2018. The remaining 5% will be received upon completion of the final grant audit.

GUIDANCE^(a)

Corsa's guidance for the year ending December 31, 2019 is as follows:

(all dollar amounts in U.S. dollars and tonnage in short tons)

Full Year 2019

Metallurgical Coal Sales Tons

Company Produced	1.25 to 1.40 million
Purchased - Value Added Services	0.30 to 0.40 million
Purchased - Sales and Trading	0.45 to 0.60 million
Total Metallurgical Coal Sales Tons	2.0 to 2.4 million

Share of Metallurgical Coal Sales Tons

% Domestic Sales at the mid-point	29%
% Export Sales at the mid-point	71%

Metallurgical Coal Sales Tons Commitments^(e)

Committed at the mid-point	69%
Committed and Priced at the mid-point	46%

Cash Production Cost per ton sold (FOB Mine)^{(b)(c)}

NAPP Division Metallurgical Coal	\$78 - \$82
----------------------------------	-------------

General and Administrative Expenses^(d)

NAPP Division	\$8.5 - \$9.0 million
Corporate Division	\$5.0 - \$5.5 million
Total Corsa	\$13.5 - \$14.5 million

Note: Selling expenses are forecasted to be covered by margins from Sales and Trading tons sold.

<u>Net and comprehensive income</u>	\$13 to \$15 million
--	----------------------

<u>Adjusted EBITDA^(e)</u>	\$42 - \$46 million
---	---------------------

Capital Expenditures per ton sold^(f)

Maintenance capital expenditures	\$5
Total capital expenditures	\$6

- (a) Guidance projections ("Guidance") are considered "forward-looking statements" and "forward looking information" and represent management's good faith estimates or expectations of future production and sales results as of the date hereof. Guidance is based upon certain assumptions, including, but not limited to, future cash production costs, future sales and production and the availability of coal from other suppliers that the Company may purchase. Such assumptions may prove to be incorrect and actual results may differ materially from those anticipated. Consequently, Guidance cannot be guaranteed. As such, investors are cautioned not to place undue reliance upon Guidance, forward-looking statements and forward-looking information as there can be no assurance that the plans, assumptions or expectations upon which they are placed will occur.
- (b) This is a non-GAAP financial measure. See "Non-GAAP Financial Measures" starting on page 29 of this MD&A for more information.
- (c) Cash production cost per ton sold excludes purchased coal.
- (d) Exclusive of stock-based compensation and selling related commissions, bank fees and finance charges.
- (e) This is a non-GAAP financial measure. For a reconciliation, please see the Company's press release dated December 10, 2018.
- (f) Tons sold excludes purchased coal used in the Sales and Trading platform.

2019 Net Income and Adjusted EBITDA Guidance Assumptions	
Price Case: \$190/metric ton FOB Vessel	Net and comprehensive income \$13 - \$15 million Adj. EBITDA \$42 - \$46 million
Current TSI FOB Aus. Spot Price	\$231/metric ton FOB Vessel
Forward TSI FOB Aus. Curve (\$/mt FOB Vessel) Calendar Year 2019 (Average)	\$190.25
Adjusted EBITDA sensitivity to movement in seaborne price: \$10/metric ton FOB Vessel:	
	\$7.0 - \$7.5 million

Previously Issued Guidance – Comparison to Actual Results

(all dollar amounts in U.S. dollars and tonnage in short tons)

	Previous Guidance ⁽¹⁾ Full Year 2018	Actual Results Full Year 2018
<u>Metallurgical Coal Sales Tons</u>		
Company Produced	1.0 million	1.0 million
Purchased - Value Added Services	0.4 million	0.4 million
Purchased - Sales and Trading	0.5 million	0.5 million
Total Metallurgical Coal Sales Tons	1.9 million	1.9 million
<u>Share of Metallurgical Coal Sales Tons</u>		
% Domestic Sales at the mid-point	26%	27%
% Export Sales at the mid-point	74%	73%
<u>Cash Production Cost per ton sold (FOB Mine)⁽²⁾⁽³⁾</u>		
NAPP Division Metallurgical Coal	\$82 - \$84	\$83.61
<u>General and Administrative Expenses⁽⁴⁾</u>		
NAPP Division	\$8.5 - \$9.0 million	\$8.9 million
Corporate Division	\$6.5 - \$7.0 million	\$6.3 million
Total Corsa	\$15.0 - \$16.0 million	\$15.2 million
<u>Adjusted EBITDA⁽²⁾</u>	\$34.7 - \$36.7 million	\$35.0 million
<u>Capital Expenditures per ton sold⁽⁵⁾</u>		
Maintenance capital expenditures	\$10	\$7

Actual results were within the range of previously issued guidance with improvements in capital expenditures per ton sold.

- (1) Previous guidance was presented in the Company's MD&A for the three and nine months ended September 30, 2018 dated November 7, 2018.
- (2) This is a non-GAAP financial measure. See "Non-GAAP Financial Measures" starting on page 29 of this MD&A for more information.
- (3) Cash Production Cost per ton sold excludes purchased coal.
- (4) Exclusive of stock-based compensation and selling related commissions, bank fees and finance charges.
- (5) Tons sold excludes purchased coal used in the Sales and Trading platform.

DEBT COVENANTS

Corsa has certain covenants it is required to meet under its credit facilities and finance lease obligations. Certain measures included in the covenant calculations are not readily identifiable from Corsa's consolidated statements of operations and comprehensive income (loss) or consolidated balance sheets. These measures are considered to be non-GAAP financial measures and, as such, a further description of the covenant calculations is included below. Corsa was in compliance with all covenants at December 31, 2018.

Corporate loan payable

The covenants required to be met under the Facility are described below. Such measurements are made with reference to the consolidated results of Corsa.

- Maintain a minimum cash balance of \$1 million (measured monthly)
- Maintain a positive working capital balance, exclusive of the Facility (measured monthly)

NAPP finance lease

In August 2016, Corsa entered into a Comprehensive Master Equipment Lease Financing Modification, Consolidation and Security Agreement (the "Modified Lease") regarding various mobile equipment that was previously leased under a finance lease at Wilson Creek Energy, LLC, effective as of June 1, 2016. The covenants required to be met are described below for the noted agreement. Such measurements are made on the consolidated results of Wilson Creek Energy, LLC, a subsidiary of Corsa.

- Debt Service Coverage Ratio⁽¹⁾ must exceed 1.25 to 1.00 (measured quarterly).
- Maintain a minimum cash balance of \$2 million at all times, on a consolidated basis (measured monthly).

(1) Debt Service Coverage Ratio is measured as:

$$\frac{\text{Adjusted Net Income}^{(2)}}{\text{Total Payments Made on Financed Debt}^{(3)} + \text{Off-balance Sheet Obligations} + \text{Interest Expense}}$$

- (2) Adjusted net income is defined as Net Income plus the sum of (a) non-cash expenditures, (b) rent expense and (c) interest expense.
- (3) Financed debt includes notes payable, finance leases and other institutional debt.

CONTRACTUAL OBLIGATIONS

The purchase order firm commitments primarily relate to the procurement of replacement mining equipment to maintain Corsa's capacity and for its planned growth as well as purchased coal commitments. These expenditures will be funded from cash on hand or cash flows from operations.

	Carrying Value at December 31, 2018	Payments due by period				
		Total	Less Than 1 Year	1 to 3 Years	4 to 5 Years	After 5 Years
Accounts payable and accruals	\$ 28,354	\$ 28,354	\$ 28,354	\$ —	\$ —	\$ —
Notes payable	425	425	418	7	—	—
Finance lease obligations	4,525	4,535	2,543	1,337	655	—
Loan payable	30,452	32,017	10,000	22,017	—	—
Other liabilities	11,232	11,325	5,407	2,852	2,102	964
Asset retirement obligations - reclamation	30,047	30,047	4,027	3,839	4,301	17,880
Asset retirement obligations - water treatment	27,269	27,269	1,588	2,892	2,862	19,927
Purchase order firm commitments	—	3,249	3,249	—	—	—
Water treatment trust funding	—	6,353	1,871	3,741	741	—
Operating leases and other obligations	—	1,751	198	402	374	777
Total	\$ 132,304	\$ 145,325	\$ 57,655	\$ 37,087	\$ 11,035	\$ 39,548

NON-GAAP FINANCIAL MEASURES

The Company has included certain non-GAAP financial measures throughout this MD&A. These performance measures are employed by the Company to measure its performance internally and to assist in business decision-making as well as providing key performance information to senior management. The Company believes that, in addition to the conventional measures prepared in accordance with IFRS, certain investors and other stakeholders also use these non-GAAP financial measures to evaluate the Company's performance; however, these non-GAAP financial measures do not have any standardized meaning and therefore may not be comparable to similar measures presented by other issuers. Accordingly, these non-GAAP financial measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

Commencing in the Company's first quarter for its 2017 fiscal year, the Company established a Sales and Trading platform which was not previously part of the Company's business model. In the Sales and Trading platform, the Company purchases and then sells coal on a clean or finished goods basis from suppliers outside of the Company's main operating area. The Company blends this coal, which primarily has a different quality basis than the coal the Company produces, to provide a blended product to customers who do not have the ability to purchase and blend different qualities of coal at their facilities. As a result of the addition of this platform to the Company's business model, new non-GAAP financial measures (i.e., cash production cost per ton sold and cash cost per sales and trading purchased coal per ton sold) were introduced to present the cost of the coal the Company produces and sells separately from the total costs of the coal sold, which total costs includes the coal we purchase under the Sales and Trading platform, i.e., Sales and Trading purchased coal. These are presented separately due to the purchases being derived from market prices that are considered to be higher than the Company's internal production costs. As the total cost per ton sold increases as a result of these coal purchases under the Sales and Trading platform, the Company believes that providing a breakdown of the cost of coal that the Company produces provides a meaningful metric to investors as this non-GAAP financial measure is utilized in evaluating the operational effectiveness of the Company's mines.

Management uses the following non-GAAP financial measures:

- **EBITDA** - earnings before deductions for interest, taxes, depreciation and amortization;
- **Adjusted EBITDA** - EBITDA adjusted for change in estimate of reclamation provision for non-operating properties, impairment and write-off of mineral properties and advance royalties, gain (loss) on sale of assets and other costs, stock-based compensation, non-cash finance expenses and other non-cash adjustments. Adjusted EBITDA is used as a supplemental financial measure by management and by external users of our financial statements to assess our performance as compared to the performance of other companies in the coal industry, without regard to financing methods, historical cost basis or capital structure; the ability of our assets to generate sufficient cash flow; and our ability to incur and service debt and fund capital expenditures;
- **Realized price per ton sold** - revenue from coal sales less transportation costs from the mine site to the loading terminal divided by tons of coal sold. Management evaluates our operations based on the volume of coal we can safely produce or purchase and sell in compliance with regulatory standards, and the prices we receive for our coal. Our sales volume and sales prices are largely dependent upon the terms of our contracts, for which prices generally are set based on an index. We evaluate the price we receive for our coal on an average realized price on an FOB mine site per short ton basis;
- **Cash production cost per ton sold** - cash production costs of sales excluding Sales and Trading purchased coal costs, all included within cost of sales, divided by tons of produced coal sold. Cash production cost is based on cost of sales and includes items such as manpower, royalties, fuel, and other similar production related items, pursuant to IFRS, but relate directly to the costs incurred to produce coal and sell it on an FOB mine site basis. Cash production cost per ton sold is used as a supplemental financial measure by management and by external users to assess our operating performance as compared to the operating performance of other companies in the coal industry. Sales and Trading purchased coal is excluded as the purchased coal costs are based on market prices of coal purchased and not the cost to produce the coal;
- **Cash cost per sales and trading purchased coal per ton sold** - Sales and Trading purchased coal costs divided by tons of Sales and Trading purchased coal sold. Management uses this measure to assess coal purchases against the market price at which this coal will be sold and the performance of the Sales and Trading platform;
- **Cash cost per ton sold** - cash production costs of sales, included within cost of sales, divided by total tons sold. Management uses cash cost per ton sold to assess our overall financial performance on a per ton basis to include the Company's production and purchased coal cost in total;
- **Cash margin per ton sold** - calculated difference between realized price per ton sold and cash cost per ton sold. Cash margin per ton sold is used by management and external users to assess the operating performance as compared to the operating performance of other coal companies in the coal industry.

Since non-GAAP financial measures do not have a standardized meaning and may not be comparable to similar measures presented by other companies, the non-GAAP financial measures are clearly defined, quantified and reconciled with their nearest IFRS measure as follows:

EBITDA and Adjusted EBITDA for the three months ended December 31, 2018 and 2017

(in thousands)	For the three months ended December 31, 2018			For the three months ended December 31, 2017		
	NAPP	Corp.	Total	NAPP	Corp.	Total
Net and comprehensive income (loss) from continuing operations	\$ 9,896	\$ 377	\$ 10,273	\$ 86,184	\$ (2,657)	\$ 83,527
Add (Deduct):						
Amortization expense	5,927	—	5,927	2,350	—	2,350
Interest expense	286	819	1,105	182	818	1,000
Income tax benefit	—	(2,759)	(2,759)	—	—	—
EBITDA	16,109	(1,563)	14,546	88,716	(1,839)	86,877
Add (Deduct):						
Change in estimate of water treatment and reclamation provision	(3,727)	—	(3,727)	6,293	—	6,293
Asset impairment reversal	—	—	—	(86,188)	—	(86,188)
Write-off of advance royalties and other assets	—	—	—	12	—	12
Stock-based compensation	—	352	352	—	396	396
Net finance (income) expense, excluding interest expense	2,484	242	2,726	2	181	183
Gain on disposal of assets	(88)	—	(88)	(130)	—	(130)
Other (income) costs	(2,474)	(1)	(2,475)	687	—	687
Adjusted EBITDA	<u>\$ 12,304</u>	<u>\$ (970)</u>	<u>\$ 11,334</u>	<u>\$ 9,392</u>	<u>\$ (1,262)</u>	<u>\$ 8,130</u>

EBITDA and Adjusted EBITDA for the years ended December 31, 2018 and 2017

(in thousands)	For the year ended December 31, 2018			For the year ended December 31, 2017		
	NAPP	Corp.	Total	NAPP	Corp.	Total
Net and comprehensive income (loss) from continuing operations	\$ 15,366	\$ (9,495)	\$ 5,871	\$ 116,990	\$ (8,393)	\$ 108,597
Add (Deduct):						
Amortization expense	25,020	—	25,020	11,492	—	11,492
Interest expense	810	3,887	4,697	755	3,886	4,641
Income tax benefit	—	(2,759)	(2,759)	—	—	—
EBITDA	41,196	(8,367)	32,829	129,237	(4,507)	124,730
Add (Deduct):						
Change in estimate of water treatment and reclamation provision	(3,727)	—	(3,727)	6,293	—	6,293
Asset impairment reversal	—	—	—	(86,188)	—	(86,188)
Write-off of advance royalties and other assets	38	—	38	315	—	315
Stock-based compensation	—	1,527	1,527	—	1,425	1,425
Net finance (income) expense, excluding interest expense	4,080	509	4,589	519	(1,009)	(490)
Gain on disposal of assets	(716)	—	(716)	(276)	—	(276)
Other (income) costs	(823)	1,288	465	1,983	—	1,983
Adjusted EBITDA	<u>\$ 40,048</u>	<u>\$ (5,043)</u>	<u>\$ 35,005</u>	<u>\$ 51,883</u>	<u>\$ (4,091)</u>	<u>\$ 47,792</u>

Realized price per ton sold for the three months ended December 31, 2018 and 2017

(in thousands except per ton amounts)	For the three months ended December 31, 2018			For the three months ended December 31, 2017		
	NAPP	NAPP	Total	NAPP	NAPP	Total
	Met	Thermal		Met	Thermal	
Revenue	\$ 66,251	\$ 262	\$ 66,513	\$ 45,577	\$ 2,269	\$ 47,846
Add (Deduct):						
Tolling revenue	(1,734)	—	(1,734)	(1,554)	—	(1,554)
Transportation costs from preparation plant to customer	(10,335)	—	(10,335)	(4,657)	—	(4,657)
Net coal sales (at preparation plant)	\$ 54,182	\$ 262	\$ 54,444	\$ 39,366	\$ 2,269	\$ 41,635
Coal sold - tons	466	4	470	322	49	371
Realized price per ton sold (at preparation plant)	<u>\$ 116.27</u>	<u>\$ 65.50</u>	<u>\$ 115.84</u>	<u>\$ 122.25</u>	<u>\$ 46.31</u>	<u>\$ 112.22</u>

Realized price per ton sold for the years ended December 31, 2018 and 2017

(in thousands except per ton amounts)	For the year ended December 31, 2018			For the year ended December 31, 2017		
	NAPP	NAPP	Total	NAPP	NAPP	Total
	Met	Thermal		Met	Thermal	
Revenue	\$264,904	\$ 949	\$265,853	\$207,829	\$ 9,678	\$217,507
Add (Deduct):						
Tolling revenue	(6,498)	—	(6,498)	(3,516)	—	(3,516)
Transportation costs from preparation plant to customer	(44,054)	—	(44,054)	(19,111)	—	(19,111)
Net coal sales (at preparation plant)	\$214,352	\$ 949	\$215,301	\$185,202	\$ 9,678	\$194,880
Coal sold - tons	1,872	18	1,890	1,475	215	1,690
Realized price per ton sold (at preparation plant)	<u>\$ 114.50</u>	<u>\$ 52.72</u>	<u>\$ 113.92</u>	<u>\$ 125.56</u>	<u>\$ 45.01</u>	<u>\$ 115.31</u>

Cash cost per ton sold, cash production cost per ton sold, and cash cost per sales and trading purchased coal per ton sold for the three months ended December 31, 2018 and 2017

	For the three months ended December 31, 2018			For the three months ended December 31, 2017		
	NAPP Met	NAPP Thermal	Total	NAPP Met	NAPP Thermal	Total
(in thousands except per ton amounts)						
Cost of Sales:						
Mining and processing costs	\$ 19,710	\$ 205	\$ 19,915	\$ 14,022	\$ 30	\$ 14,052
Purchased coal costs	18,145	87	18,232	13,449	1,916	15,365
Royalty expense	1,938	—	1,938	1,325	2	1,327
Total cash costs of tons sold	\$ 39,793	\$ 292	\$ 40,085	\$ 28,796	\$ 1,948	\$ 30,744
Total tons sold	466	4	470	322	49	371
Cash cost per ton sold (at preparation plant)	<u>\$ 85.39</u>	<u>\$ 73.00</u>	<u>\$ 85.29</u>	<u>\$ 89.43</u>	<u>\$ 39.76</u>	<u>\$ 82.87</u>
 Total cash costs of tons sold	\$ 39,793	\$ 292	\$ 40,085	\$ 28,796	\$ 1,948	\$ 30,744
Less: Sales and Trading purchased coal	(18,145)	—	(18,145)	(13,449)	—	(13,449)
Cash cost of produced coal sold	\$ 21,648	\$ 292	\$ 21,940	\$ 15,347	\$ 1,948	\$ 17,295
Tons sold - produced	282	4	286	172	49	221
Cash production cost per ton sold (at preparation plant)	<u>\$ 76.77</u>	<u>\$ 73.00</u>	<u>\$ 76.71</u>	<u>\$ 89.23</u>	<u>\$ 39.76</u>	<u>\$ 78.26</u>
 Sales and Trading purchased coal	\$ 18,145	\$ —	\$ 18,145	\$ 13,449	\$ —	\$ 13,449
Tons sold - Sales and Trading	184	—	184	150	—	150
Cash cost per Sales and Trading purchased coal per ton sold (at preparation plant)	<u>\$ 98.61</u>	<u>\$ —</u>	<u>\$ 98.61</u>	<u>\$ 89.66</u>	<u>\$ —</u>	<u>\$ 89.66</u>

Cash cost per ton sold, cash production cost per ton sold, and cash cost per sales and trading purchased coal per ton sold for the years ended December 31, 2018 and 2017

	For the year ended December 31, 2018			For the year ended December 31, 2017		
	NAPP Met	NAPP Thermal	Total	NAPP Met	NAPP Thermal	Total
(in thousands except per ton amounts)						
Cost of Sales:						
Mining and processing costs	\$ 75,301	\$ 829	\$ 76,130	\$ 54,275	\$ 176	\$ 54,451
Purchased coal costs	83,732	150	83,882	64,322	8,718	73,040
Royalty expense	6,808	—	6,808	5,960	42	6,002
Total cash costs of tons sold	\$165,841	\$ 979	\$166,820	\$124,557	\$ 8,936	\$133,493
Total tons sold	1,872	18	1,890	1,475	215	1,690
Cash cost per ton sold (at preparation plant)	<u>\$ 88.59</u>	<u>\$ 54.39</u>	<u>\$ 88.26</u>	<u>\$ 84.45</u>	<u>\$ 41.56</u>	<u>\$ 78.99</u>
 Total cash costs of tons sold	\$165,841	\$ 979	\$166,820	\$124,557	\$ 8,936	\$133,493
Less: Sales and Trading purchased coal	(83,732)	—	(83,732)	(64,322)	—	(64,322)
Cash cost of produced coal sold	\$ 82,109	\$ 979	\$ 83,088	\$ 60,235	\$ 8,936	\$ 69,171
Tons sold - produced	982	18	1,000	812	215	1,027
Cash production cost per ton sold (at preparation plant)	<u>\$ 83.61</u>	<u>\$ 54.39</u>	<u>\$ 83.09</u>	<u>\$ 74.18</u>	<u>\$ 41.56</u>	<u>\$ 67.35</u>
 Sales and Trading purchased coal	\$ 83,732	\$ —	\$ 83,732	\$ 64,322	\$ —	\$ 64,322
Tons sold - Sales and Trading	890	—	890	663	—	663
Cash cost per Sales and Trading purchased coal per ton sold (at preparation plant)	<u>\$ 94.08</u>	<u>\$ —</u>	<u>\$ 94.08</u>	<u>\$ 97.02</u>	<u>\$ —</u>	<u>\$ 97.02</u>

Cash margin per ton sold for the three months ended December 31, 2018 and 2017

	For the three months ended December 31, 2018			For the three months ended December 31, 2017		
	NAPP Met	NAPP Thermal	Total	NAPP Met	NAPP Thermal	Total NAPP
Realized price per ton sold (at preparation plant)	\$ 116.27	\$ 65.50	\$ 115.84	\$ 122.25	\$ 46.31	\$ 112.22
Cash cost per ton sold (at preparation plant)	\$ 85.39	\$ 73.00	\$ 85.29	\$ 89.43	\$ 39.76	\$ 82.87
Cash margin per ton sold	\$ 30.88	\$ (7.50)	\$ 30.55	\$ 32.82	\$ 6.55	\$ 29.35

Cash margin per ton sold for the years ended December 31, 2018 and 2017

	For the year ended December 31, 2018			For the year ended December 31, 2017		
	NAPP Met	NAPP Thermal	Total	NAPP Met	NAPP Thermal	Total NAPP
Realized price per ton sold (at preparation plant)	\$ 114.50	\$ 52.72	\$ 113.92	\$ 125.56	\$ 45.01	\$ 115.31
Cash cost per ton sold (at preparation plant)	\$ 88.59	\$ 54.39	\$ 88.26	\$ 84.45	\$ 41.56	\$ 78.99
Cash margin per ton sold	\$ 25.91	\$ (1.67)	\$ 25.66	\$ 41.11	\$ 3.45	\$ 36.32

OUTSTANDING SHARE DATA

The following table sets forth the particulars of Corsa's fully diluted share capital as of the date of this MD&A.

	Number of Common Shares
Common Shares issued and outstanding	94,759,245
Common Shares issuable upon exercise of stock options	9,238,407
Common Shares issuable upon redemption of Redeemable Units	8,515,831
Common Shares issuable upon exercise of Bonus Warrants	1,805,000
Total	114,318,483

As of the date of this MD&A, QKGI Legacy Holdings LP, holds 170,316,639 common membership units ("Redeemable Units") of Wilson Creek Energy, LLC, a subsidiary of Corsa. Redeemable Units are redeemable at the option of the holder for cash equal to the product of: (i) the number of Redeemable Units to be redeemed divided by 20, and (ii) the 10-day volume weighted average trading price, prior to the date of notice of redemption, of the Common Shares. The Company has the option to satisfy the redemption price for the Redeemable Units with Common Shares on a 20 to one basis (i.e., 20 Redeemable Units for one Common Share). The Company is restricted from paying cash to the holder for the redemption of Redeemable Units if a balance remains outstanding under the Term Loan.

In consideration for the Term Loan, Corsa issued 1,805,000 Common Share purchase warrants ("Bonus Warrants") to SRLC. Each Bonus Warrant has a term of five years (expiring on August 19, 2019) and is exercisable for one Common Share at an exercise price of C\$3.90.

SUMMARY OF QUARTERLY RESULTS

The following table sets out certain information derived from Corsa's audited consolidated financial statements or unaudited condensed interim consolidated financial statements for each of the eight most recently completed quarters. Numbers presented in the table were prepared in accordance with IFRS and interpretations approved by the IASB.

(in thousands except per share amounts)	Quarter Ended			
	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018
Revenue from continuing operations	\$ 66,513	\$ 61,561	\$ 57,331	\$ 80,448
Net and comprehensive income (loss)				
Continuing operations	\$ 10,273	\$ (1,470)	\$ (4,889)	\$ 1,957
Discontinued operations	—	—	—	(813)
	<u>\$ 10,273</u>	<u>\$ (1,470)</u>	<u>\$ (4,889)</u>	<u>\$ 1,144</u>
Earnings (loss) per share:				
Basic - continuing operations	\$ 0.09	\$ (0.02)	\$ (0.05)	\$ 0.01
Basic - discontinued operations	—	—	—	(0.01)
Basic - total	<u>\$ 0.09</u>	<u>\$ (0.02)</u>	<u>\$ (0.05)</u>	<u>\$ —</u>
Diluted - continuing operations	\$ 0.09	\$ (0.02)	\$ (0.05)	\$ 0.01
Diluted - discontinued operations	—	—	—	(0.01)
Diluted - total	<u>\$ 0.09</u>	<u>\$ (0.02)</u>	<u>\$ (0.05)</u>	<u>\$ —</u>

(in thousands except per share amounts)	Quarter Ended			
	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017
Revenue from continuing operations	\$ 47,846	\$ 62,944	\$ 54,338	\$ 52,379
Net and comprehensive income (loss)				
Continuing operations	\$ 83,527	\$ 7,536	\$ 5,665	\$ 11,869
Discontinued operations	(21,293)	(721)	(1,114)	(1,785)
	<u>\$ 62,234</u>	<u>\$ 6,815</u>	<u>\$ 4,551</u>	<u>\$ 10,084</u>
Earnings (loss) per share:				
Basic - continuing operations	\$ 0.75	\$ 0.07	\$ 0.04	\$ 0.10
Basic - discontinued operations	(0.18)	(0.01)	(0.01)	(0.02)
Basic - total	<u>\$ 0.57</u>	<u>\$ 0.06</u>	<u>\$ 0.03</u>	<u>\$ 0.08</u>
Diluted - continuing operations	\$ 0.74	\$ 0.07	\$ 0.04	\$ 0.08
Diluted - discontinued operations	(0.18)	(0.01)	(0.01)	(0.01)
Diluted - total	<u>\$ 0.56</u>	<u>\$ 0.06</u>	<u>\$ 0.03</u>	<u>\$ 0.07</u>

Our recent financial results reflect the impact of the improved metallurgical coal price environment. As a result of increased demand for the metallurgical coal we produce, we have been able to increase our sales volumes due to additional production from our existing mines as well as the establishment of a Sales and Trading platform which was not part of the Company's business model prior to 2017. In the Sales and Trading platform, the Company purchases and sells coal on a clean or finished goods basis from suppliers outside of our main operating area. The Company then blends this coal, which primarily has a different quality basis than the coal we produce, to provide a blended product to customers who do not have the ability to purchase and blend different qualities of coal at their facilities. As a result of this platform, we have been able to significantly increase our revenues by expanding our customer base. The first two quarterly periods of 2018 were impacted by increased costs at the Company's mines as a result of difficult geological conditions. The full year 2018 period was also impacted by increased demurrage expense as a result of port and rail congestion and increased amortization expense as a result of the increased carrying values due to the impairment reversal in December 2017. These negatively impacted earnings. Net and comprehensive income for the quarter ended December 31, 2017 was also impacted by the net asset impairment reversal of \$66,224 which is primarily due to the improvement in the metallurgical coal market and partially offset by an impairment charge at the CAPP Division as a result of the CAPP Division Divestiture.

RELATED PARTY TRANSACTIONS

Related party transactions include any transactions with employees, other than amounts earned as a result of their employment, transactions with companies that employees or directors either control or have significant influence over, transactions with companies who are under common control with the Company's controlling shareholder, Quintana Energy Partners L.P. ("QEP"), transactions with close family members of key management personnel and transactions with companies who are affiliated with the Company's minority shareholder, Sprott Resource Coal Holdings Corp. Related party activities which took place before the completion of the CAPP Division Divestiture on March 13, 2018 are reflected in the amounts below. Post-divestiture, Kopper Glo Mining, LLC is considered a related party as key management of QEP have significant influence over this entity. As such, transactions with Kopper Glo Mining, LLC after March 13, 2018 are considered related party transactions and reflected in the amounts below.

Transactions with related parties included in the consolidated statement of operations and comprehensive income (loss) and consolidated balance sheets of the Company are summarized below:

	For the years ended	
	December 31,	
	2018	2017
Royalties and property taxes (a)	\$ 185	\$ 1,213
Supplies purchase (b)	402	342
Equipment servicing fees (c)	1,185	—
Purchased coal (d)	10,121	3,427
	<u>\$ 11,893</u>	<u>\$ 4,982</u>

- (a) During the years ended December 31, 2018 and 2017, the Company paid royalties and property taxes to WPP, LLC, a subsidiary of Natural Resource Partners L.P., which is commonly controlled by QEP for coal extracted from mineral properties where the surface or mineral right of the specific property are leased by the Company and owned by the related party. These amounts were included in net and comprehensive loss from discontinued operations, net in the consolidated statements of operations and comprehensive income (loss).
- (b) During the years ended December 31, 2018 and 2017, the Company purchased supplies used in the coal separation process from Quality Magnetite, which is significantly influenced by key management personnel of QEP. During the years ended December 31, 2018 and 2017, amounts purchased by the NAPP Division, totaling \$395 and \$265, respectively, were included in cost of sales in the consolidated statements of operations and comprehensive income (loss). Amounts purchased by the CAPP Division, totaling \$7 and \$77 were included in net and comprehensive loss from discontinued operations, net in the consolidated statements of operations and comprehensive income (loss) for the years ended December 31, 2018 and 2017, respectively.
- (c) During the year ended December 31, 2018, subsequent to the completion of the CAPP Division Divestiture, the Company purchased services to rebuild a continuous haulage system from Kopper Glo Mining, LLC, which is now considered a related party as it is significantly influenced by key management personnel of QEP. The continuous haulage system has been capitalized and included in property, plant and equipment.
- (d) During the years ended December 31, 2018 and 2017, the Company purchased coal from Smoky Mountain Coal Company, a company determined to be a related party as a result of their sales representative being a close family member of the former president of the CAPP Division, Hunter Hobson. These amounts totaled \$1,150 and \$3,427 for the years ended December 31, 2018 and 2017, respectively. These amounts were reflected in net and comprehensive loss from discontinued operations, net in the consolidated statements of operations and comprehensive income (loss). Subsequent to the completion of the CAPP Division Divestiture, the Company purchased coal from Kopper Glo Mining, LLC, which is now considered a related party as it is significantly influenced by key management personnel of QEP. During the year ended December 31, 2018, the Company recognized \$8,971 in cost of sales in the consolidated statements of operations and comprehensive income (loss) related to these coal purchases.

Included in accounts payable and accrued liabilities at December 31, 2018 and 2017 are \$43 and \$327, respectively, due to related parties, as a result of the transactions noted above. These amounts are unsecured and non-interest bearing. At December 31, 2018, included in inventory was \$104 for coal purchased from related parties. This amount will be expensed as the coal inventories are sold.

At December 31, 2018 and 2017, the Company had a loan payable to SRLC of \$30,452 and \$29,763 under the Facility, respectively. SRLC is a minority shareholder of the Company as a result of the issuance of the Fee Shares.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenues and expenses during the reported periods. Actual outcomes may differ from those estimates should different assumptions or conditions arise. Significant areas of estimation uncertainty that could cause a material adjustment to the carrying amounts of assets and liabilities within one year are presented below.

Property, plant and equipment

The useful life of property, plant and equipment is based on management's best estimate of the useful life at the time of acquisition. The useful lives are reviewed at least annually or when other changes or circumstances warrant this review. The useful lives impact the amortization expense recorded in the statement of operations and the carrying value of the items of property, plant and equipment. Accordingly, a significant departure from management's expectation, including the impact of any changes in economic, technological or regulatory circumstances beyond management's control, may impact the carrying value of items of property, plant and equipment.

Reserve and resource estimates

Coal reserve and resource estimates indicate the amount of coal that can be feasibly extracted from Corsa's mineral properties. The estimates involve the inclusion of various complex inputs requiring interpretation by qualified geological personnel such as the size, shape and depth of the mineral deposit and other geological assumptions. Other estimates include commodity prices, production costs and capital expenditure requirements. Significant departures from the estimates utilized in management's calculations may impact the carrying value of the mineral properties, reclamation provisions and amortization expense.

Reclamation provision estimates

Reclamation provisions are recognized by Corsa for the estimated costs to reclaim the site at the end of mine life. The carrying amount of the reclamation provision in the consolidated financial statements is subject to various estimates including mine life, undiscounted cash flows to reclaim mineral properties, inflation and discount rates. The provision at the balance sheet date represents management's best estimate but significant departures from management's expectation, including the impact of any changes in economic, technological or regulatory circumstances, may impact the carrying value of the reclamation provision and associated reclamation cost asset included in property, plant and equipment.

Water treatment provision estimates

The Company has signed certain agreements with U.S. environmental and regulatory agencies which require the perpetual monitoring and treatment of water in areas where the Company is operating or has operated in the past. The Company has the obligation to fund such water treatment activities and has recorded a provision for the total expected costs of such water treatment. The water treatment provision is estimated based on a determination of the estimated costs of treatment using assumptions effective as of the end of the reporting period discounted using a pre-tax risk-free discount rate consistent with the expected timing of the cash flows. The provision at the balance sheet date represents management's best estimate as of such date but may result in significant departures from management's expectation, including the impact of any changes in economic, technological or regulatory circumstances may impact the carrying value of the water treatment provision.

Impairment of long-term assets

Corsa reviews and tests the carrying amounts of long-lived assets when an indicator of impairment is considered to exist. Corsa considers both external and internal sources of information in assessing whether there are any indications that long-lived assets are impaired. External sources of information that Corsa considers include changes in the market, economic and legal environment in which Corsa operates that are not within its control and affect the recoverable amounts of long-term assets. Internal sources of information that Corsa considers include the manner in which long-lived assets are being used or are expected to be used and indications of economic performance of the assets.

For the purposes of determining whether an impairment of an asset has occurred, and the amount of any impairment or its reversal, management uses key assumptions in estimating the recoverable value of a cash generating unit (“CGU”) which is calculated as the higher of the CGU’s value in-use and fair value less costs of disposal.

Changes in these estimates which decrease the estimated recoverable amount of the CGU could affect the carrying amounts of assets and result in an impairment charge.

Evaluation of exploration and evaluation costs

Management makes estimates as to when a known mineral deposit would provide future benefit sufficient enough to begin capitalization of exploration and evaluation costs. Actual results as to when a project provides future benefit may vary from management’s estimate.

Deferred income tax assets

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will be available to allow the deferred tax asset to be recovered. There is no certainty that income tax rates will be consistent with current estimates. Changes in tax rates increase the volatility of Corsa’s earnings.

CHANGES IN ACCOUNTING POLICIES

Recently adopted accounting pronouncements

In May 2014, the IASB issued International Financial Reporting Standard (“IFRS”) 15 – *Revenue from contracts with customers* (“IFRS 15”). IFRS 15 clarifies the principles for recognizing revenue from contracts with customers and Corsa adopted IFRS 15 on January 1, 2018 utilizing the full retrospective method of transition. Adoption of IFRS 15 resulted in changes to our accounting policies for revenue recognition and accounts receivable. The guidance requires disclosure of sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenues and cash flows arising from contracts with customers. The adoption of IFRS 15 had an immaterial impact on our financial statements. Refer to note 18 for additional discussion.

In July 2014, the IASB issued IFRS 9 – *Financial Instruments*, which introduced new requirements for the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities. It also amends the impairment model by introducing a new ‘expected credit loss’ model for calculating impairment. IFRS 9 also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. The new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however, it provides more hedging strategies that are used for risk management to qualify for hedge accounting and introduces more judgment to assess the effectiveness of a hedging relationship. Corsa adopted IFRS 9 on January 1, 2018 and adoption of this standard did not have a material impact on the Company’s financial statements.

Future accounting pronouncements

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or the International Financial Reporting Interpretations Committee (“IFRIC”) that are mandatory for accounting periods after January 1, 2019. Updates that are not applied or are not consequential to the Company have been excluded.

(a) IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16 – *Leases* (“IFRS 16”). IFRS 16 is effective for periods beginning on or after January 1, 2019 and early adoption is permitted if the company also applies IFRS 15. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. The new standard eliminates the classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying that model, a lessee is required to recognize: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of the lease assets separately from interest on the lease liabilities in the statement of operations. The Company will adopt IFRS 16 in its consolidated financial statements for the annual period beginning January 1, 2019. The Company has completed scoping reviews and currently believes the new guidance will not have a material impact on its financial results when adopted. However, adoption will require additional assets and liabilities to be recognized for certain agreements where the Company has the rights to use assets.

(b) IFRIC 23 – Uncertainty over income tax treatments

In June 2017, the IASB issued International Financial Reporting Interpretations Committee interpretation 23 – *Uncertainty over income tax treatments* (“IFRIC 23”). IFRIC 23 is effective for annual reporting periods beginning on or after January 1, 2019. IFRIC 23 clarifies application of recognition and measurements requirements in International Accounting Standard 12 – *Income Taxes* when there is uncertainty over income tax treatments. IFRIC 23 specifically addresses whether an entity considers uncertain tax treatments separately; the assumptions an entity makes about the examination of tax treatments by taxation authorities; how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and how an entity considers changes in facts and circumstances. The Company intends to adopt IFRIC 23 in its consolidated financial statements for the annual period beginning January 1, 2019. The impact to the presentation of the Company’s consolidated financial statements upon adoption of this interpretation will not be material.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company’s financial instruments consist of cash, restricted cash, warrant financial liability, accounts receivable, accounts payable and accrued liabilities, notes payable, finance lease payable, loan payable and other liabilities.

Financial risk management

The Company is exposed, in varying degrees, to a variety of financial instrument related risks as described below.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions. These deposit accounts are held with high credit quality institutions in Canada and the United States. Restricted cash consists of certificates of deposit and interest-bearing securities invested with highly rated financial institutions.

Customer credit risk is managed by the Company’s established policy, procedures and control relating to customer credit risk management. The Company trades only with recognized creditworthy third parties who are subject to credit verification procedures, and often times are backed by letters of credit or trade credit insurance. In addition, outstanding receivable balances are regularly monitored on an ongoing basis. The Company has not recorded any allowance for credit losses for the years ended December 31, 2018 and 2017.

At December 31, 2018 and 2017, the Company had six customers that each owed the Company more than \$1,000 each and accounted for approximately 92% and 82%, respectively, of all receivables owing. At December 31, 2018 and 2017, there was one customer with a balance greater than \$10,000 accounting for 45% and 40%, respectively, of total accounts receivable. At December 31, 2018 and 2017, 90% and 55%, respectively, of the Company’s trade receivables are covered by letters of credit and other forms of credit insurance.

Commodity Risk

The value of the Company's mineral properties is related to the price of metallurgical coal and the outlook for this commodity, which is beyond the control of the Company.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. At December 31, 2018 the Company had a consolidated cash balance of \$10,124 and consolidated working capital of \$4,225. The future operations of the Company are dependent on the continued generation of positive cash flows from operations which is dependent on the future demand and price for metallurgical coal. In December 2018, the Company entered into an amending agreement to extend the maturity of the term loan from August 2019 to August 2020 and amend certain other terms of the credit agreement. Refer to note 13 for further discussion on these amended terms. The Company plans to utilize expected operating cash flows to service the debt.

If our cash flows from operations are less than we require, we may need to incur additional debt or issue additional equity. From time-to-time we may need to access the long-term and short-term capital markets to obtain financing. Although we believe we can currently finance our operations on acceptable terms and conditions, our access to, and the availability of, financing on acceptable terms and conditions in the future will be affected by many factors, including the liquidity of the overall capital markets, the current state of the global economy and restrictions in our existing debt agreements and any other future debt agreements. There can be no assurance that we will have or continue to have access to the capital markets on terms acceptable to us.

Fair Value

The estimated fair values of all financial instruments approximate their respective carrying values except for the loan payable. The loan payable is carried at amortized cost and the carrying amount and fair value is presented below:

	December 31, 2018		December 31, 2017	
	Carrying		Carrying	
	Amount	Fair Value	Amount	Fair Value
Loan Payable	\$ 30,452	\$ 27,444	\$ 29,763	\$ 25,676

The fair value of the loan payable was determined by discounting the future contractual cash flows at a discount rate that represents an approximation of the borrowing rates presently available to the Company which was 12.5% and 14.5% at December 31, 2018 and December 31, 2017, respectively. Management's estimate of the fair value of the loan payable is classified as level 2 in the fair value hierarchy.

Fair value hierarchy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date.

The fair value hierarchy categorizes into three levels the inputs in valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs).

Level 1 inputs are quoted market prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 inputs are those other than quoted market prices in active markets, which are observable for the asset or liability, either directly or indirectly such as derived from prices.

Level 3 inputs are unobservable inputs for the asset or liability.

The following table provides an analysis of the Company's financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to 3 based on a degree to which the inputs used to determine the fair value are observable.

	December 31, 2018		December 31, 2017	
	Level 1	Level 2	Level 1	Level 2
Financial assets				
Cash	\$ 10,124	\$ —	\$ 20,721	\$ —
Restricted cash	32,503	—	34,526	—
	<u>\$ 42,627</u>	<u>\$ —</u>	<u>\$ 55,247</u>	<u>\$ —</u>
Financial liabilities				
Warrant financial liability	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 769</u>

The inputs used to measure the warrant financial liability (note 13(b)) are based on observable unadjusted market prices for identical assets and are therefore classified as Level 2 inputs under the financial instruments hierarchy.

At December 31, 2018 and December 31, 2017, the Company had no financial instruments which used Level 3 fair value measurements.

ADDITIONAL INFORMATION

Additional information regarding Corsa is available under Corsa's profile at www.sedar.com.